

HOUSE RESEARCH

Bill Summary

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Overview

The Lewis and Clark Regional Water System, Inc. is a three state water supply system that draws from a series of wells that tap into an aquifer adjacent to the Missouri River near Vermillion, South Dakota. The three states are South Dakota, Iowa, and Minnesota. The Minnesota portion of the system includes the cities of Luverne and Worthington, the Lincoln-Pipestone Rural Water System, and Rock County Rural Water District. Funding for the pipeline was supposed to be shared jointly between the state, local, and federal governments. The federal government has not yet fulfilled its commitment and the states and local governments have been fronting the federal share to keep the project going. The 2014 Legislature appropriated \$22 million from the general fund for phase I of the project in Minnesota, including if possible, the extension to Magnolia. This bill provides \$48 million in state appropriation bond proceeds for the project.

Section

1 Appropriation bonds. Codifies a general statutory provision that defines terms, authority, procedures, and effects of issuing state appropriation bonds. Effective immediately.

A state appropriation bond is a debt obligation of the state payable only from appropriations. It is not backed by the full faith and credit of the state as a general obligation bond is. Appropriation bonds are not subject to the same constitutional restrictions that general obligation bonds are.

The legislature has authorized state appropriation bonds for specific purposes previously, each time with all of the procedures and terms specific to the purpose. They were issued through MMB and payable from a standing appropriation. In 2011, the legislature authorized

Section

issuing state appropriation bonds to refund tobacco revenue bonds issued to pay the debt service on G.O. debt due during the biennium. The attorney general had questioned the constitutionality of state appropriation bonds and so the law required the state to bring a lawsuit to test their validity. The state supreme court held that appropriation bonds are not “public debt” within the meaning of the constitution and the state’s full faith, credit, and taxing powers are not committed to their repayment. Therefore, the state may issue appropriation bonds, and those bonds are not subject to the limitations in the state constitution that apply to general obligation bonds. *Schowalter v. State*, 822 N.W.2d 292 (Minn. 2012). The 2012 Legislature authorized state appropriation bonds to help pay for a new Vikings stadium. Minn. Stat. § 16A.965. Appropriations to pay debt service may be reduced or repealed entirely and are subject to unallotment.

- 2 **Lewis and Clark Regional Water Service; state appropriation bonds; bond sale authorization.** Appropriates \$48 million in state appropriation bond proceeds to the Public Facilities Authority for a grant to the Lewis and Clark Joint Powers Board to complete the project in Minnesota, to the city of Worthington. Does not require a nonstate match, but requires the grant agreement to provide for reimbursement to the state from any federal funds provided to the project, consistent with the Lewis and Clark Regional Water System, Inc. agreement. Authorizes the sale of state appropriation bonds. Effective immediately.